FORTUNE PACIFIC ENGINEERING CO LTD A

v.

GAJATAKRAW INDUSTRIES SDN BHD

HIGH COURT MALAYA, ALOR SETAR B
HO MOOI CHING JC
[CIVIL SUIT NO: 22-40-1993]
20 DECEMBER 2009

CIVIL PROCEDURE: *Contempt of court - Order of committal, application for - Breach of consent order pertaining to patent infringement- Committed by company - Whether director of company liable - Whether breach proved beyond reasonable doubt - Whether reasonable explanation offered - Whether terms ambiguous and clarification should have been sought - Contemnor not defiant or scornful - Whether breach serious enough to allow application* C D

PATENTS: *Infringement - Breach of consent order - Committed by company - Whether director of company liable - Whether breach proved beyond reasonable doubt - Whether reasonable explanation offered - Whether terms ambiguous and clarification should have been sought - Contemnor not defiant or scornful - Whether breach serious enough to allow application for committal* E

The plaintiff made an application for an order of committal against both directors of the defendant company for breach of a consent order. The consent order was entered by the parties pursuant to the plaintiff's action against the defendant company for infringement of its Malaysian patent relating to the invention of plastic takraw balls. The directors of the defendant company were one Lim Choo Hwa ('LCH') and one Chen May Keow ('CMK'). The plaintiff, however, did not seek an order of imprisonment against CMK, a 75 year old lady who became director of the defendant company on the death of her husband during the trial. F G

Held (order of imprisonment for five days against LCH): H

(1) The standard of proof required for breach of the consent order was proof beyond reasonable doubt. Directors of a company who have been made aware of an injunction were liable for its breach by the company (*William Jacks & Co (M) Sdn Bhd v. Chemquip (M) Sdn Bhd & Anor;* refd). (para 4) I

(2) On the affidavits and submissions by the parties herein, it was proved beyond reasonable doubt that the defendant had breached the consent order. LCH as director of the defendant company was liable for the breach. No reasonable explanation was offered for the breach. Counsel's submission that the terms of the consent order were unclear was not acceptable. Even without the offending ball being exhibited in the consent order, LCH was aware of the nature of the order since there was partial compliance with its terms. If its terms were not understood, clarification should have been sought. The failure of LCH to comply with consent order after being fully cognisant of its terms prejudiced the administration of justice and amounted to an act of contempt of court punishable by an order of committal. (para 9)

(3) LCH was not a defiant or scornful contemnor as there was partial compliance with the consent order and an apology for the breach was tendered. Notwithstanding, the breach was serious enough to frustrate the consent order and render it nugatory. Having agreed to the consent order, it was incumbent upon LCH to comply with its terms. It was obvious that LCH failed to make a conscious attempt to do so. In the circumstances, LCH was imposed with imprisonment for five days. (para 10)

[CMK admonished and discharged. Order of imprisonment against LCH stayed pending appeal.]

Case(s) referred to:

Benny Cheng Joo San v. Guttas & Resin Sdn Bhd [1983] 2 CLJ 134; [1983] CLJ (Rep) 471 HC ***(refd)***

IJM Corporation Bhd v. Harta Kumpulan Sdn Bhd (No 2) [2008] 8 CLJ 308 HC ***(refd)***

MBf Holdings Berhad & Anor v. Houng Hai Kong & Ors [1993] 3 CLJ 373 HC ***(refd)***

Societe Jas Hennessy & Co & Anor v. Nguang Chan (M) Sdn Bhd [2005] 5 CLJ 515 HC ***(refd)***

William Jacks & Co (M) Sdn Bhd v. Chemquip (M) Sdn Bhd & Anor [1994] 3 CLJ 125 HC ***(refd)***

Legislation referred to:

Rules of the High Court 1980, O. 45 r. 7, O. 52 rr. 2(2), 3(2)

For the plaintiff - SF Wong (S Indran with him); M/s Shearn Delamore & Co

For the defendant - Sri Dev Nair; M/s Sri Dev & Naila

Reported by Usha Thiagarajah

JUDGMENT

Ho Mooi Ching JC:

[1] The plaintiff's action against the defendant company was founded on infringement of its Malaysian patent relating to the invention of plastic takraw balls. In the midst of the hearing, a consent order was recorded by the court on 6 March 2007. The plaintiff filed a motion under RHC O. 52 to commit Lim Choo Hwa ('LCH') and Chen May Keow, both directors of the defendant for failure to comply with the consent order. It is not disputed that the consent order had been duly served on both directors. At the hearing, Mr. S.F. Wong for the plaintiff did not seek any order of imprisonment against Chen, a 75 year old lady who became a director on the death of her husband in the course of the trial. She was admonished and discharged. LCH was found in breach of the consent order and committed to prison for five days and he now appeals against that order.

Alleged Infringement Of Consent Order

[2] The plaintiff's case is that the following consent orders were infringed:

Order 2

(i) That the defendant whether jointly or severally, either through itself, its directors, officers, servants or agents or any of them or otherwise howsoever be restrained from:

(a) Manufacturing sepaktakraw balls in accordance with the methods and containing the features identified in the claims annexed in Schedule 1 of the said consent order and/or importing, exporting, selling, offering for sale, stocking for the purposes of offering for sale, distributing or using the sepaktakraw balls under the brand of 'Gajah Emas' or under any other commercial brand;

(b) Making, importing, exporting, selling, offering to sell, stocking for the purpose of offering for sale, distributing or using component parts of the patented sepaktakraw balls which are manufactured in accordance with the specifications as claimed in the plaintiff patent claims under the number MY 1007765-A for the purpose of assembling into sepaktakraw balls whether in Malaysia or any part of the world;

(c) Enabling, assisting or causing others to carry out any of the acts stated in paras 2(a) and 2(b) above.

Order 3

One order for full discovery of all the relevant documents, particularly labels, cartons, order forms, invoices, bills, delivery orders, receipts, shipping documents and materials and articles in particular moulds that are used to produce the infringing sepaktakraw balls and the component parts of the infringing sepaktakraw balls, the related engineering drawing and any other implements used directly in the manufacture of the sepaktakraw balls and any component parts of the sepaktakraw balls that have infringed the plaintiff patent under registration number MY-100765-A which are in the possession and custody of the defendant, its directors, officers, servants or agents.

Order 4

One order for delivery up or destruction upon oath by the defendant of all infringing sepaktakraw balls and component parts thereof that are packaged in any manner whatsoever.

Order 5

One order to the defendant to withdraw all the infringing sepaktakraw balls within one month and if necessary, this period can be extended for an additional one month.

Procedure

[3] There is no dispute that the order was properly served on LCH in accordance with O. 45 r. 7 on 21 May 2007. In compliance with O. 52 r. 2(2), an *ex parte* notice of motion was filed together with the necessary documents and leave was granted

on 24 April 2008 by YA Dato' Zainal Adzam. The notice of motion was filed within the time stipulated under O. 52 r. 3(2). The relevant documents and cause papers were served on LCH (affidavit of service in encl. 95 referred). A

An objection was raised as to the plaintiff's notice to rely on affidavits filed before the motion was filed on the ground that no reference was made to those affidavits at the *ex parte* stage before the motion was filed. The plaintiff had clearly indicated its intention to rely on such affidavits in the affidavit-in-support of Boonchai Lorhpipat (encl. 82) and his second affidavit-in-reply (encl. 97). The defence was not taken by surprise and there was no reason to disallow reliance on the earlier affidavits set out in the notice. B C

The Law On Contempt

[4] The juridical basis of the law of contempt is as stated in the case of *MBf Holdings Bhd & Anor v. Houng Hai Kong & Ors* [1993] 3 CLJ 373 at 378, as follows: D

> It is paramount in the public interest that every court should have the power and authority or jurisdiction to punish persons who scandalise it or disobeys orders made by it. If such power is absent, then the public will lose all confidence in the authority of the judicial arm of the state leading to anarchy and disorder. E

It is not disputed that in order to succeed the plaintiff has to prove that that the alleged contemnor had breached the order of court and the standard of proof required is proof beyond reasonable doubt. Directors of a company who have been made aware of an injunction, are liable for its breach by the company (see *William Jacks & Co (M) Sdn Bhd v. Chemquip (M) Sdn Bhd & Anor* [1994] 3 CLJ 125). F G

Disobedience To The Court Order

Breach Of Order 2

[5] In support of their contention that there was a breach of Order 2 (as referred to in paragraph [3] above, the plaintiff relied on an investigation report (exh. BL4) in the affidavit of Boonchai Lorhpipat ('BL') (encl. 82). It is not denied that the defendant and Gajah Emas share some common shareholders and directors (exh. BL5) nor was there any denial that Gajah Emas was involved in the manufacture of infringing sepak takraw balls, only that it was not H I

bound by the terms of the consent order. In the circumstances, it must be deemed admitted that Gajah Emas was at the time of the investigation, involved in the manufacture of the infringing balls. The terms of O. 2 extend to not enabling, assisting or causing others to breach the said order and the fact that the directors of the defendant sit on the board of a company that is producing the infringing balls amounts to a breach of O. 2.

Breach Of O. 3

[6] The plaintiff alleged that the defendant failed to provide full discovery of the documents relevant to the infringing sepak takraw balls which were within its possession, custody or power. There is evidence that the plaintiff's solicitors had written to the defendant's solicitors requesting full compliance with O. 3 and the documents mentioned therein are undeniably necessary to show the extent of the infringement and to facilitate an assessment of damages suffered by the plaintiff as a result of the defendant's infringement of patent.

LCH's answer is that he had delivered all the documents in the defendant's possession and he was unable to locate the rest due to the lapse of time from 1993 when the suit was first instituted to 2007 when the consent order was recorded. In para. 7 of his affidavit dated 6 April 2009 (encl. 96) he deposed that he was unable to produce the originals of the documents in the defendant's bundle of documents as he could not locate them after his father's death. However, he was able to produce the invoices of Kim Seang Trading Co, which was a sole proprietorship created by his deceased father to distribute the infringing balls (collectively exhibited as 'GAJ7'). I agree that the very production of those invoices only on 6 April 2009 despite earlier requests by the plaintiff's solicitors without explanation as to why he was unable to do so before that date shows that the defendant had breached the consent order.

The plaintiff in its statement of claim had sought discovery of the defendant's documents. The defendant had also, at one time, indicated that it would be seeking the damages it suffered during the time that the plaintiff's *ex parte* injunction was in force (letter dated 24 August 1993 – exh. BL13 in BL's affidavit in encl. 97) and it is reasonable to expect that such documents were in their possession at the time the consent order was entered. It is therefore not reasonable to suggest that the documents could not be located due to the lapse of time.

The numbers on the sepak takraw balls that were delivered showed that they were made using more than one mould as they carried different numbers but not all those moulds were delivered. There was no reasonable explanation in the affidavits of LCH for the failure to deliver the rest of the moulds. Mr. Sri Dev asked that LCH be allowed to give oral evidence to explain this failure as LCH needed to demonstrate why he was unable to comply with this order. I did not see the need for oral evidence as the defendant had been given ample opportunity to explain by way of affidavit and had failed to do so. In his affidavit, he merely denied being in possession of any infringing balls or moulds. An attempt was made to give evidence from the Bar to explain the failure to produce more than 1 mould. To echo the words of VC George J in *Benny Cheng Joo San v. Guttas & Resin Sdn Bhd* [1983] 2 CLJ 134; [1983] CLJ (Rep) 471:

> ... evidence from the Bar table is not admissible and the practice of slipping in what is "evidence" in Counsel's submission is a practice that does not do that Counsel's client an iota of good. Not only is such a practice improper it is also poor advocacy.

No reasonable explanation had been given for the failure to deliver the moulds and I found LCH in breach of O. 3 for his failure to deliver all the moulds involved in the manufacture of the balls. In the premises, I found that there was proof beyond reasonable doubt that there was infringement of O. 3.

Breach Of O. 4

[7] As for delivery of the balls, only 200 balls were delivered. The plaintiff referred to Lim Choo Meng's affidavit dated 28 July 1993 filed on the defendant's behalf (encl. 15) stating that in 1986, a large quantity of synthetic sepak takraw balls were sold and relying on exh. LCM9 which is an order for 1,000,000 plastic strips. LCM 18 was the defendant's application to SIRIM, Annexure A of which projected that the number of balls sold would be 200,000 to 450,000 balls between 1992 and 1994 with an anticipated increase every year. It is undisputed that the defendant's statement of accounts for the year ended 30 June 1991 shows a turnover in excess of RM1,000,000 for both 1990 and 1991 and the main activity of the company was the production of the offending balls. The plaintiff's submission that the position in 2007 when the consent order was

entered would have been sales in excess of 450,000 balls as plastic balls became more common (see BL's third affidavit encl. 97) was unchallenged.

In the light of these figures given by the defendant, I agree with learned counsel for the plaintiff that it was reasonable to expect that the defendant had in its possession some of its stock. Instead, only 200 balls were ultimately delivered to the plaintiff although 289 balls were recalled from its agents (see exh. BL9 of encl. 82). It is an unreasonable explanation that despite being a manufacturer of at least 100,000 balls by its own projection, it had none in its possession at the time the consent order was entered. I found that there was evidence beyond reasonable doubt of a breach of this order.

Breach Of O. 5

[8] The defendant was to withdraw all the infringing sepaktakraw balls within two months but there was evidence that the infringing balls were still in the market well after this period (see receipts in exh. BL10). The plaintiff's solicitors informed the defence solicitors of this (see exh. BL8) and the defence solicitors replied by letter dated 22 May 2007 stating that the defendant had complied by recalling 200 balls from their distributors (exh. BL9 in encl. 82). It was argued for the defence that the balls were not purchased from the defendant's distributors and that the relevant order did not state that the balls had to be withdrawn from the market. Conversely, the order is not limited to withdrawal from the defendant's distributors. While the defendant may not have been required to scour the earth for the infringing balls, it was well within the terms of the order for the defendant to ensure that the balls were withdrawn from the market even in the absence of the words 'from the market'. Examination of the receipts produced show that the purchases of the balls were from stores or hypermarkets in towns and it would have been well within the defendant's knowledge where its products were likely to be sold and to recall the balls from those outlets. The irresistible inference is that compliance was half-hearted and lackadaisical.

Directors Liable

[9] After having taken into consideration the affidavits filed by the parties and the submissions of their learned counsel, I found it proved beyond reasonable doubt that the defendant had breached

O. 3, 4 and 5 and that LCH being a director of the defendant company was liable for the breach. The defendant had offered no reasonable explanation for the breaches. The submission of learned defence counsel that the terms of the consent order were unclear is not acceptable. Even without the offending ball being exhibited in the consent order, I am of the view that the defendant was in no doubt as to the nature of the order since there had been partial compliance with it. I agree with Zulkefli Makinudin J (as he then was) in *Societe Jas Hennessy & Co & Anor v. Nguang Chan (M) Sdn Bhd* [2005] 5 CLJ 515, that the contention of the defendant's directors that they did not understand the terms of the order is irrelevant as they should have sought clarification if there was any ambiguity in their minds. The failure of LCH to comply with the terms of the consent order after being fully cognisant of its terms prejudices the administration of justice and amounts to an act of contempt of court, liable to be punished by an order of committal.

[10] Before imposing sentence, I took into consideration that there had been partial compliance with the consent order. Mr. Sri Dev also submitted that LCH apologised for any breach committed. I concede that LCH does not fall into the category of a defiant or scornful contemnor (see *IJM Corporation Bhd v. Harta Kumpulan Sdn Bhd (No 2)* [2008] 8 CLJ 308). Nevertheless, I had to take into account that the breaches are serious and have the effect of frustrating the consent order and rendering it all but nugatory. Having agreed to the consent order being recorded, it was incumbent upon the defendant to comply with its terms. It is obvious that the defendant had failed to make any conscientious attempt to do so. In the circumstances, I imposed imprisonment of five days. The order was stayed pending this appeal.